

AMENDED IN ASSEMBLY APRIL 29, 2003

AMENDED IN ASSEMBLY APRIL 21, 2003

AMENDED IN ASSEMBLY MARCH 13, 2003

CALIFORNIA LEGISLATURE—2003–04 REGULAR SESSION

## **ASSEMBLY BILL**

**No. 171**

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**Introduced by Assembly Members Cohn and Oropeza  
(Coauthors: Assembly Members Chan, Diaz, Dymally, Hancock,  
Koretz, Leno, Lieber, Ridley-Thomas, and Vargas)**

January 23, 2003

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An act to amend Section 6276.24 of the Government Code, to amend Sections 14087.31, 14087.35, 14087.36, and 14087.38 of the Welfare and Institutions Code, and to repeal Section 7 of Chapter 642 of the Statutes of 1994, relating to Medi-Cal.

### LEGISLATIVE COUNSEL'S DIGEST

AB 171, as amended, Cohn. Medi-Cal managed care: special county health authorities and commissions: trade secrets.

Existing law provides for the Medi-Cal program, which is administered by the State Department of Health Services, pursuant to which medical benefits are provided to public assistance recipients and certain other low-income persons. Existing law provides that in counties selected by the Director of Health Services with the concurrence of the county, a special county health authority may be established in order to meet the problems of delivery of publicly assisted medical care in each county, and to demonstrate ways of promoting quality care and cost efficiency.

Existing law, the Ralph M. Brown Act, requires that the meetings of the legislative body of a local agency be conducted openly, with specified exceptions.

This bill would authorize the governing board of a special county health authority for the County of Alameda, the City and County of San Francisco, counties selected by the director with the concurrence of the county, and special county health commissions in the Counties of Tulare and San Joaquin to meet in closed session for the purpose of discussion of, or taking action on matters involving, health authority trade secrets.

Existing law, the California Public Records Act, requires certain public records to be made available for public inspection.

This bill would exempt from public disclosure those records of the above health authorities and commissions that reveal the trade secrets of these authorities and commissions. It would also exempt those records from disclosure pursuant to any local law requiring the disclosure of public records.

Existing law requires that the *statutory* provisions relating to the establishment of a health authority for the City and County of San Francisco, the County of Alameda, and those counties selected by the director with concurrence of the county, be interpreted independently and without reference to one another.

This bill would delete this requirement.

Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. Section 6276.24 of the Government Code is
- 2 amended to read:
- 3 6276.24. Harmful matter, distribution, confidentiality of
- 4 certain recipients, Section 313.1, Penal Code.
- 5 Hazardous substance tax information, prohibition against
- 6 disclosure, Section 43651, Revenue and Taxation Code.
- 7 Hazardous waste control, business plans, public inspection,
- 8 Section 25506, Health and Safety Code.
- 9 Hazardous waste control, notice of unlawful hazardous waste
- 10 disposal, Section 25180.5, Health and Safety Code.
- 11 Hazardous waste control, trade secrets, disclosure of
- 12 information, Sections 25511 and 25538, Health and Safety Code.



1 Hazardous waste control, trade secrets, procedures for release  
2 of information, Section 25358.2, Health and Safety Code.

3 Hazardous waste generator report, protection of trade secrets,  
4 Sections 25244.21 and 25244.23, Health and Safety Code.

5 Hazardous waste licenseholder disclosure statement,  
6 confidentiality of, Section 25186.5, Health and Safety Code.

7 Hazardous waste management facilities on Indian lands,  
8 confidentiality of privileged or trade secret information, Section  
9 25198.4, Health and Safety Code.

10 Hazardous waste recycling, duties of department, Section  
11 25170, Health and Safety Code.

12 Hazardous waste recycling, list of specified hazardous wastes,  
13 trade secrets, Section 25175, Health and Safety Code.

14 Hazardous waste recycling, trade secrets, confidential nature,  
15 Sections 25173 and 25180.5, Health and Safety Code.

16 Healing arts licensees, central files, confidentiality, Section  
17 800, Business and Professions Code.

18 Health authorities, special county, protection of trade secrets,  
19 Sections 14087.35, 14087.36, and 14087.38, Welfare and  
20 Institutions Code.

21 Health Care Provider Central Files, confidentiality of, Section  
22 800, Business and Professions Code.

23 Health care provider disciplinary proceeding, confidentiality of  
24 documents, Section 805.1, Business and Professions Code.

25 Health care service plans, review of quality of care, privileged  
26 communications, Sections 1370 and 1380, Health and Safety  
27 Code.

28 Health commissions, special county, protection of trade secrets,  
29 Section 14087.31, Welfare and Institutions Code.

30 Health facilities, patient's rights of confidentiality, Sections  
31 128735, 128755, and 128765, Health and Safety Code.

32 Health facility and clinic, consolidated data and reports,  
33 confidentiality of, Section 128730, Health and Safety Code.

34 Health personnel, data collection by the Office of Statewide  
35 Health Planning and Development, confidentiality of information  
36 on individual licentiates, Sections 127775 and 127780, Health and  
37 Safety Code.

38 Health planning and development pilot projects, confidentiality  
39 of data collected, Section 128165, Health and Safety Code.



1 Hereditary Disorders Act, legislative finding and declaration,  
2 confidential information, Sections 124975 and 124980, Health  
3 and Safety Code.

4 Hereditary Disorders Act, rules, regulations, and standards,  
5 breach of confidentiality, Section 124980, Health and Safety  
6 Code.

7 Higher Education Employee-Employer Relations, findings of  
8 fact and recommended terms of settlement, Section 3593,  
9 Government Code.

10 Higher Education Employee-Employer Relations, access by  
11 Public Employment Relations Board to employer's or employee  
12 organization's records, Section 3563, Government Code.

13 HIV, disclosures to blood banks by department or county health  
14 officers, Section 1603.1, Health and Safety Code.

15 Home address of public employees and officers in Department  
16 of Motor Vehicles, records, confidentiality of, Sections 1808.2 and  
17 1808.4, Vehicle Code.

18 Horse racing, horses, blood or urine test sample, confidentiality,  
19 Section 19577, Business and Professions Code.

20 Hospital district and municipal hospital records relating to  
21 contracts with insurers and service plans, subdivision (t), Section  
22 6254, Government Code.

23 Hospital final accreditation report, subdivision (s), Section  
24 6254, Government Code.

25 Housing authorities, confidentiality of rosters of tenants,  
26 Section 34283, Health and Safety Code.

27 Housing authorities, confidentiality of applications by  
28 prospective or current tenants, Section 34332, Health and Safety  
29 Code.

30 SEC. 2. Section 14087.31 of the Welfare and Institutions  
31 Code is amended to read:

32 14087.31. (a) It is necessary that a special commission be  
33 established in the Counties of Tulare and San Joaquin in order to  
34 meet the problems of delivery of publicly assisted medical care in  
35 the county and to demonstrate ways of promoting quality care and  
36 cost efficiency. Because there is no general law under which such  
37 a commission could be formed, the adoption of a special act and  
38 the formation of a special commission is required.

39 (b) (1) The Board of Supervisors of the County of Tulare and  
40 the county of San Joaquin may, for each respective county, by



1 ordinance, establish a commission to negotiate and enter into  
2 contracts authorized by Section 14087.3, and to arrange for the  
3 provision of health care services provided pursuant to this chapter.  
4 If the board of supervisors elects to enact this ordinance, all rights,  
5 powers, duties, privileges, and immunities vested in a county  
6 contracting with the department under this article shall be vested  
7 in the county commission.

8 (2) Health plans operated by the commission may also include,  
9 but are not limited to, individuals covered under Title XVIII of the  
10 Social Security Act (Subchapter XVIII (commencing with Section  
11 1395) of Chapter 7 of Title 42 of the United States Code),  
12 individuals and groups entitled to coverage under other publicly  
13 supported programs, individuals and groups employed by public  
14 agencies or private businesses, and uninsured or indigent persons.

15 (c) The enabling ordinance shall specify the membership of the  
16 county commission, the qualifications for individual members, the  
17 manner of appointment, selection, or removal of commissioners,  
18 and how long they shall serve, and any other matters as the board  
19 of supervisors deems necessary or convenient for the conduct of  
20 the county commission's activities. Members of the commission  
21 shall be appointed by the county board of supervisors to represent  
22 the interests of the public, county, beneficiaries, physicians,  
23 hospitals, other health care providers, or other health care  
24 organizations. The commission so established shall be considered  
25 an entity separate from the county, shall file a statement required  
26 by Section 53051 of the Government Code, and shall have the  
27 power to acquire, possess, and dispose of real or personal property,  
28 as may be necessary for the performance of its functions, to  
29 employ personnel and contract for services required to meet its  
30 obligations, and to sue or be sued. Any obligations of a  
31 commission, statutory, contractual or otherwise, shall be  
32 obligations solely of the commission and shall not be the  
33 obligations of the county or of the state.

34 (d) Upon creation, the commission may borrow from the  
35 county, and the county may lend the commission, funds or issue  
36 revenue anticipation notes to obtain those funds necessary to  
37 commence operations. Prior to commencement of operations, the  
38 commission shall be licensed pursuant to the Knox-Keene Health  
39 Care Service Plan Act of 1975 (Chapter 2.2 (commencing with  
40 Section 1340) of Division 2 of the Health and Safety Code).

1 (e) In the event a commission may no longer function for the  
2 purposes for which it is established, at the time as the  
3 commission's then existing obligations have been satisfied or the  
4 commission's assets have been exhausted, the board of supervisors  
5 may, by ordinance, terminate the commission.

6 (f) Prior to the termination of the commission, the board of  
7 supervisors shall notify the department of its intent to terminate the  
8 commission. The department shall conduct an audit of the  
9 commission's records within 30 days of the notification to  
10 determine the liabilities and assets of the commission. The  
11 department shall report its findings to the board within 10 days of  
12 completion of the audit. The board shall prepare a plan to liquidate  
13 or otherwise dispose of the assets of the commission and to pay the  
14 liabilities of the commission to the extent of the commission's  
15 assets, and present the plan to the department within 30 days upon  
16 receipt of these findings.

17 (g) Any assets of the commission shall be disposed of pursuant  
18 to provisions contained in the contract entered into between the  
19 state and the commission pursuant to Section 14087.

20 (h) (1) It is the intent of the Legislature that if a commission  
21 is formed pursuant to this section, the county shall, with respect to  
22 its medical facilities and programs, occupy no greater or lesser  
23 status than any other health care provider with similar cost  
24 structure and patient population including, but not limited to,  
25 considerations of indigent care burden, capital requirements,  
26 graduate medical education, and disproportionate share status, in  
27 negotiating with the commission for contracts to provide health  
28 care services.

29 (2) Contracts between the department and the commission  
30 shall be on a nonbid basis and shall be exempt from Chapter 2  
31 (commencing with Section 10290) of Part 2 of Division 2 of the  
32 Public Contract Code.

33 (3) Nothing in this subdivision shall be construed to interfere  
34 with or limit the commission from giving preference in negotiating  
35 to disproportionate share hospitals or other providers of health  
36 care to medically indigent or uninsured persons.

37 (i) Upon termination of the commission by the board, the  
38 county shall manage any remaining assets of the commission until  
39 superseded by a department approved plan. Any liabilities of the  
40 commission shall not become obligations of the county upon either

1 the termination of the commission or the liquidation or disposition  
2 of the commission's remaining assets.

3 (j) The commission, its members, and employees, are protected  
4 by the immunities applicable to public entities and public  
5 employees governed by Division 3.6 (commencing with Section  
6 810) of Title 1 of the Government Code, except as provided by  
7 other statutes or regulations that apply expressly to the  
8 commission.

9 (k) Notwithstanding any other provision of law, a member of  
10 the commission shall not be deemed to be interested in a contract  
11 entered into by the commission within the meaning of Article 4  
12 (commencing with Section 1090) of Chapter 1 of Division 4 of  
13 Title 1 of the Government Code if all of the following apply:

14 (1) The member was appointed to represent the interest of  
15 physicians, health care practitioners, hospitals, pharmacies, or  
16 other health care organizations.

17 (2) The contract authorizes the member or the organization the  
18 member represents to provide services to Medi-Cal beneficiaries  
19 under the commission's programs.

20 (3) The contract contains substantially the same terms and  
21 conditions as contracts entered into with other individuals or  
22 organizations that the member was appointed to represent.

23 (4) The member does not influence or attempt to influence the  
24 commission or another member of the commission to enter into the  
25 contract in which the member is interested.

26 (5) The member discloses the interest to the commission and  
27 abstains from voting on the contract.

28 (6) The commission notes the member's disclosure and  
29 abstention in its official records and authorized the contract in  
30 good faith by a vote of its membership sufficient for the purpose  
31 without counting the vote of the interested member.

32 (l) All claims for money or damages against the commission  
33 shall be governed by Part 3 (commencing with Section 900) and  
34 Part 4 (commencing with Section 940) of Division 3.6 of Title 1  
35 of the Government Code, except as provided by other statutes or  
36 regulations that expressly apply to the commission.

37 (m) Notwithstanding any other provision of law, except as  
38 otherwise provided in this section, a county shall not be liable for  
39 any act or omission of the commission.



1 (n) For the purposes of this section, “commission” means an  
2 entity separate from the county that meets the requirements of state  
3 and federal law and the quality, cost, and access criteria established  
4 by the department.

5 (o) The transfer of responsibility for health care services shall  
6 not relieve the county of its responsibility for indigent care  
7 pursuant to Section 17000.

8 (p) Notwithstanding any other provision of law, the  
9 commission may meet in closed session to consider and take action  
10 on matters pertaining to contracts, and to contract negotiations by  
11 commission staff with providers of health care services concerning  
12 all matters related to rates of payment.

13 (q) Notwithstanding Article 9 (commencing with Section  
14 11120) of Chapter 1 of Part 1 of Division 3 of Title 2 of the  
15 Government Code and Article 2 (commencing with Section  
16 54340) of Chapter 6 of Division 2 of Title 5 of the Government  
17 Code, or any other provision of law, any “peer review body,” as  
18 defined in paragraph (1) of subdivision (a) of Section 805 of the  
19 Business and Professions Code, formed pursuant to the powers  
20 granted to the commission authorized by this section, may, at its  
21 discretion and without notice to the public, meet in closed session,  
22 so long as the purpose of the meeting is the peer review body’s  
23 discharge of its responsibility to evaluate and improve the quality  
24 of care rendered by health facilities of health practitioners,  
25 pursuant to the powers granted the commission. The peer review  
26 body and its members shall receive to the fullest extent all  
27 immunities, privileges, and protections available to these peer  
28 review bodies, their individual members, and persons or entities  
29 assisting in the peer review process, including, but not limited to,  
30 those afforded by Section 1370 of the Health and Safety Code.

31 (r) Notwithstanding any other provision of law, both the county  
32 and the commission shall be eligible to receive funding under  
33 subdivision (p) of Section 14163, and the commission shall be  
34 considered for all purposes to satisfy the requirements of  
35 subdivision (p) of Section 14163.

36 (s) The commission shall be deemed to be a public agency that  
37 is a unit of local government for purposes of all grant programs and  
38 other funding and loan guarantee programs.

39 (t) Notwithstanding any other provision of law, those records  
40 of the commission and of the county that reveal the rates of



1 payment for health care services or the commission's deliberative  
2 processes, discussions, communications, or any other portion of  
3 the negotiations with providers of health care services for rates of  
4 payment, shall not be disclosed pursuant to the California Public  
5 Records Act (Chapter 3.5 (commencing with Section 6250) of  
6 Division 7 of Title 1 of the Government Code), or any similar local  
7 law requiring disclosure of public records. However, three years  
8 after a contract or amendment to a contract is fully executed, the  
9 portion of the contract or amendment containing the rates of  
10 payment shall be open to inspection.

11 (u) Notwithstanding the California Public Records Act  
12 (Chapter 3.5 (commencing with Section 6250) of Division 7 of  
13 Title 1 of the Government Code), Article 3 (commencing with  
14 Section 11200) of Chapter 1 of Part 1 of Division 3 of Title 2 of  
15 the Government Code, Chapter 9 (commencing with Section  
16 54960) of Part 1 of Division 2 of Title 5 of the Government Code,  
17 or any other provision of state or local law requiring disclosure of  
18 public records, those records of the commission and the county  
19 that reveal the proceedings of a peer review body, as defined in  
20 paragraph (1) of subdivision (a) of Section 805 of the Business and  
21 Professions Code, formed pursuant to the powers granted to the  
22 commission authorized by this section, shall not be required to be  
23 disclosed. The records and proceedings of the peer review body  
24 and its members shall receive to the fullest extent, all immunities,  
25 privileges, and protections available to these records and  
26 proceedings, including, but not limited to, those afforded by  
27 Section 1157 of the Evidence Code.

28 (v) (1) Provisions of the Evidence Code, the Government  
29 Code, including the California Public Records Act (Chapter 3.5  
30 (commencing with Section 6250) of Division 7 of Title 1 of the  
31 Government Code), the Civil Code, the Business and Professions  
32 Code, and other applicable law pertaining to the confidentiality of  
33 peer review activities of peer review bodies shall apply to the peer  
34 review activities of the commission. Peer review proceedings shall  
35 constitute an official proceeding authorized by law within the  
36 meaning of Section 47 of the Civil Code, and those privileges set  
37 forth in that section with respect to official proceedings shall apply  
38 to peer review proceedings of the commission. If the commission  
39 is required by law or contractual obligation to submit to the state  
40 or federal government peer review information or information



1 relevant to the credentialing of a participating provider, that  
2 submission shall not constitute a waiver of confidentiality. All  
3 laws pertaining to the confidentiality of peer review activities shall  
4 be construed together as extending, to the extent permitted by law,  
5 the maximum degree of protection of confidentiality.

6 (2) Notwithstanding any other provision of law, Section 1461  
7 of the Health and Safety Code shall apply to hearings on the reports  
8 of hospital medical audit or quality assurance committees as they  
9 relate to network providers or applicants.

10 (w) Except as expressly provided by other provisions of this  
11 section, all exemptions and exclusions from disclosure as public  
12 records pursuant to the California Public Records Act (Chapter 3.5  
13 (commencing with Section 6250) of Division 7 of Title 1 of the  
14 Government Code), including, but not limited to, those pertaining  
15 to trade secrets and information withheld in the public interest,  
16 shall be fully applicable for all state agencies and local agencies  
17 with respect to all writings that the commission is required to  
18 prepare, produce, or submit pursuant to this section.

19 (x) (1) The commission may use a computerized management  
20 information system in connection with the administration of its  
21 health delivery system, including the administration of the  
22 state-mandated two-plan Medi-Cal managed care model.

23 (2) Information maintained in the management information  
24 system that pertains to persons who are Medi-Cal applicants or  
25 recipients shall be confidential pursuant to Section 14100.2, and  
26 shall not be open to examination other than for purposes directly  
27 connected with the administration of the Medi-Cal program,  
28 including, but not limited to, those set forth in subdivision (c) of  
29 Section 14100.2. This safeguarded information includes, but is not  
30 limited to, the names and addresses of recipients, the medical  
31 services provided, the social and economic conditions or  
32 circumstances of the recipients, an evaluation by the commission  
33 of personal information, and medical data, including the diagnosis  
34 and past history of disease or disability.

35 (3) Information maintained in the management information  
36 system that pertains to peer review-related activities shall be  
37 confidential and subject to the full protections of the law with  
38 respect to the confidentiality of activities related to peer review  
39 generally.

1 (y) (1) The records of the commission, whether paper records,  
 2 records maintained in the management information system, or  
 3 records in any other form, that relate to rates of payment, including  
 4 records relating to rates of payment determination, allocation or  
 5 distribution methodologies, formulas or calculations, and records  
 6 of the health authority that relate to contract negotiations with  
 7 providers of health care for alternative rates, shall not be subject  
 8 to disclosure pursuant to the California Public Records Act  
 9 (Chapter 3.5 (commencing with Section 6250) of Division 7 of  
 10 Title 1 of the Government Code).

11 (2) The transmission of the records of the commission, or the  
 12 information contained therein in an alternative form, to the board  
 13 of supervisors shall not constitute a waiver of exemption from  
 14 disclosure, and the records and information, once transmitted to  
 15 the county board of supervisors, shall be subject to this same  
 16 exemption. The information, if compelled pursuant to an order of  
 17 a court of competent jurisdiction or administrative body in a  
 18 manner permitted by law, shall be limited to in camera review, and  
 19 shall not be shared with the parties to the proceeding.

20 (3) The submission, to the Department of Managed Health  
 21 Care, of information described in this section for the purpose of  
 22 obtaining licensure under Chapter 2.2 (commencing with Section  
 23 1340) of Division 2 of the Health and Safety Code, or to the State  
 24 Department of Health Services, shall not constitute a waiver of  
 25 exemption from disclosure.

26 (z) (1) (A) Notwithstanding the Ralph M. Brown Act  
 27 (Chapter 9 (commencing with Section 54950) of Part 1 of Division  
 28 2 of Title 5 of the Government Code), the commission may meet  
 29 in closed session for the purpose of discussion of, or taking action  
 30 on matters involving, commission trade secrets.

31 (B) The requirement that the commission make a public report  
 32 of actions taken in closed session and the vote or abstention of  
 33 every member present may be limited to a brief general description  
 34 of the action taken and the vote so as to prevent the disclosure of  
 35 a trade secret.

36 (C) For purposes of this subdivision, “commission trade  
 37 secret” means a trade secret, as defined in subdivision (d) of  
 38 Section 3426.1 of the Civil Code, that also meets both of the  
 39 following criteria:



1 (i) The secrecy of the information is necessary for the  
2 commission to initiate a new service, program, marketing strategy,  
3 business plan, or technology, or to add a benefit or product.

4 (ii) Premature disclosure of the trade secret would create a  
5 substantial probability of depriving the commission of a  
6 substantial economic benefit or opportunity.

7 (2) Those records of the commission that reveal the  
8 commission's trade secrets are exempt from disclosure pursuant to  
9 the California Public Records Act (Chapter 3.5 (commencing with  
10 Section 6250) of Division 7 of Title 1 of the Government Code),  
11 or any similar local law requiring the disclosure of public records.  
12 This exemption shall apply for a period of two years after the  
13 service, program, marketing strategy, business plan, technology,  
14 benefit, or product that is the subject of the trade secret is formally  
15 adopted by the governing body of the ~~health authority~~ *commission*,  
16 provided that the service, program, marketing strategy, business  
17 plan, technology, benefit, or product continues to be a trade secret.  
18 The commission may delete the portion or portions containing  
19 trade secrets from any documents that were finally approved in the  
20 closed session held pursuant to paragraph (1) that are provided to  
21 persons who have made the timely or standing request.

22 (3) Nothing in this section shall be construed as preventing the  
23 commission from meeting in closed session as otherwise provided  
24 by law.

25 SEC. 3. Section 14087.35 of the Welfare and Institutions  
26 Code is amended to read:

27 14087.35. (a) Because of the unique circumstances that exist  
28 in the County of Alameda, it is necessary that the Board of  
29 Supervisors of the County of Alameda be given authority to create  
30 a health authority separate and apart from the County of Alameda  
31 as a means of establishing the local initiative component of the  
32 state-mandated two-plan managed care model for the delivery of  
33 medical care and services to the Medi-Cal populations. It is further  
34 necessary to enable the board of supervisors to expand publicly  
35 assisted medical and health care delivery by the newly created  
36 health authority to other populations should the board of  
37 supervisors elect to do so. Thus, the adoption of a special act is  
38 required.

39 (b) The Board of Supervisors of the County of Alameda may,  
40 by ordinance, establish a health authority separate and apart from

1 the County of Alameda, whose governing board shall reflect the  
2 diversity of local stakeholders such as provider groups,  
3 beneficiary groups, and officials of government, and that is  
4 appointed by the board of supervisors. Notwithstanding any other  
5 provision of this chapter, the governing board may include, but  
6 need not be limited to, the following: a member of the board of  
7 supervisors, individuals that represent and further the interests of  
8 the perspectives of Medi-Cal beneficiaries, and individuals that  
9 represent and further the interests of the perspectives of Medi-Cal  
10 provider physicians and other health practitioners, hospitals, and  
11 nonprofit community health centers. Other perspectives may be  
12 represented at the discretion of the board of supervisors. The  
13 enabling ordinance shall more specifically set forth the  
14 membership of the health authority governing board, the  
15 qualifications for individual members, the manner of  
16 appointment, selection, or removal of governing board members,  
17 their terms of office, and all other matters that the board of  
18 supervisors deems necessary or convenient for the conduct of the  
19 health authority's activities.

20 (c) The governing board of the health authority and the  
21 appropriate state departments, to the extent permitted by federal  
22 law, may negotiate and enter into contracts to provide or arrange  
23 for health care services for any or all persons who are eligible to  
24 receive benefits under the Medi-Cal program and for other  
25 targeted populations. The contracts may be on an exclusive or  
26 nonexclusive basis, and shall include payment provisions on any  
27 basis negotiated between the state and health authority. Prior to the  
28 commencement of operations, the health authority shall be  
29 licensed as a health care service plan pursuant to the Knox-Keene  
30 Health Care Services Plan Act of 1975 (Chapter 2.2 (commencing  
31 with Section 1340) of Division 2 of the Health and Safety Code).

32 (d) The board of supervisors may transfer responsibility for  
33 administration of county-provided health care services to the  
34 health authority for the purpose of service of populations including  
35 uninsured and indigent persons subject to the provisions of any  
36 ordinances or resolutions passed by the board of supervisors. The  
37 transfer of administrative responsibility for those health care  
38 services shall not relieve the county of its responsibility for  
39 indigent care pursuant to Section 17000. In addition, the services  
40 and programs of the health authority may include, but are not



1 limited to, individuals covered under Title XVIII of the Social  
2 Security Act, contained in Subchapter XVIII (commencing with  
3 Section 1395) of Chapter 7 of Title 42 of the United States Code,  
4 and individuals and groups employed by public agencies and  
5 private businesses.

6 (e) As a legal entity separate and apart from the County of  
7 Alameda, the health authority shall file the statement required by  
8 Section 53051 of the Government Code, and shall have the power  
9 to acquire, possess, and dispose of real or personal property as may  
10 be necessary for the performance of its functions, to sue or be sued,  
11 and to employ personnel and contract for services required to meet  
12 its obligations.

13 (f) (1) The health authority shall be deemed to be a legal entity  
14 separate and apart from the County of Alameda, and shall not be  
15 considered to be an agency, division, department, or  
16 instrumentality of the County of Alameda.

17 (2) The health authority shall not be governed by, nor be subject  
18 to, the Charter of the County of Alameda and shall not be subject  
19 to county policies or operational rules, including, but not limited  
20 to, those relating to personnel and procurement.

21 (g) The health authority shall be considered a public entity, and  
22 employees of the health authority shall be considered public  
23 employees, for purposes of Division 3.6 (commencing with  
24 Section 810) of Title 1 of the Government Code, relating to claims  
25 and actions against public entities and public employees. Members  
26 of the governing board of the health authority shall not be  
27 vicariously liable for injuries caused by the act or omission of the  
28 health authority or advisory body to the extent that protection  
29 applies to members of governing boards of local public entities  
30 generally under Section 820.9 of the Government Code.

31 (h) Upon the enactment of the ordinance, all rights, powers,  
32 duties, privileges, and immunities vested in the County of  
33 Alameda with respect to the subject matter of this section shall be  
34 vested in the health authority. Any obligation of the health  
35 authority, statutory, contractual, or otherwise, shall be the  
36 obligation solely of the health authority and shall not be the  
37 obligation of the County of Alameda or the state.

38 (i) The health authority shall not be a “person” subject to suit  
39 under the Cartwright Act, Chapter 2 (commencing with Section





1 16700) of Part 2 of Division 7 of the Business and Professions  
2 Code.

3 (j) The health authority created pursuant to this section may  
4 borrow from the county and the county may lend the health  
5 authority funds, or issue revenue anticipation notes to obtain those  
6 funds necessary to commence operations.

7 (k) The health authority or the county, or both, may engage in  
8 marketing, advertising, and promotion of the medical and health  
9 care services made available to the target populations by the health  
10 authority.

11 (l) Provisions for the termination of the health authority's  
12 activities with respect to the delivery of services to Medi-Cal  
13 populations shall be contained in the appropriate contracts  
14 executed by and between the health authority and the appropriate  
15 state departments.

16 (m) If the board of supervisors expands publicly assisted  
17 medical and health care delivery by the health authority to other  
18 populations, and the board of supervisors subsequently determines  
19 that the health authority may no longer function for the purpose of  
20 the expanded delivery, at the time as the health authority's existing  
21 obligations with respect thereto have been satisfied, the board of  
22 supervisors may, by ordinance, terminate the expanded delivery  
23 activities of the health authority.

24 (n) All assets of the health authority that are related to Medi-Cal  
25 services shall be disposed of pursuant to the Medi-Cal related  
26 contract entered into between the state and the health authority.

27 (o) All liabilities or obligations of the health authority with  
28 respect to its activities pursuant to the state-mandated two-plan  
29 managed care model for the delivery of medical care and services  
30 to the Medi-Cal population shall be the liabilities or obligations of  
31 the health authority, and shall not become the liabilities or  
32 obligations of the county upon the termination of the health  
33 authority or at any other time. Any liabilities or obligations of the  
34 health authority with respect to the liquidation or disposition of the  
35 health authority's assets upon termination of the health authority  
36 shall not become the liabilities or obligations of the county, except  
37 that the county shall manage any remaining Medi-Cal related  
38 assets of the health authority until superseded by a plan approved  
39 by the department.



1 (p) The Legislature finds and declares that Section 14105  
2 provides that the Director of Health Services prescribe the policies  
3 for the administration of Medi-Cal managed care contracts. The  
4 state-mandated two-plan managed care model distributed by the  
5 director sets forth that policy, expressly providing that local  
6 stakeholders, including government officials, providers, and  
7 community-based organizations, are afforded maximum  
8 flexibility and control in designing a delivery system that reflects  
9 the needs and priorities of the community that it serves. The  
10 mandated model requires that the governing board of the local  
11 initiative reflect an effort to include representation of the  
12 perspectives of provider and beneficiary groups. To effectuate this  
13 policy, all of the following shall apply:

14 (1) Notwithstanding any provision of law to the contrary, a  
15 member of the governing board of the health authority shall be  
16 deemed not to be interested in a contract entered into by the health  
17 authority within the meaning of Article 4 (commencing with  
18 Section 1090) of Chapter 1 of Division 4 of Title 1 of the  
19 Government Code if all the following apply:

20 (A) The member was appointed to represent the interests of  
21 physicians, health care practitioners, hospitals, pharmacies, or  
22 other health care organizations.

23 (B) The contract authorizes the member or the organization the  
24 member represents to provide services to beneficiaries or  
25 administrative services under the health authority's programs.

26 (C) The contract contains substantially the same terms and  
27 conditions as contracts entered into with other individuals or  
28 organizations that the member was appointed to represent.

29 (D) The member does not influence or attempt to influence the  
30 health authority or another member of the health authority to enter  
31 into the contract in which the member is interested.

32 (E) The member discloses the interest to the health authority  
33 and abstains from voting on the contract.

34 (F) The health authority notes the member's disclosure and  
35 abstention in its official records and authorizes the contract in good  
36 faith by a vote of its membership sufficient for the purpose without  
37 counting the vote of the interested member.

38 (2) Notwithstanding Article 4.7 (commencing with Section  
39 1125) of Chapter 1 of Division 4 of Title 1 of the Government Code  
40 related to incompatible activities, no member of the governing



board, no officer, and no member of the alliance staff shall be considered to be engaged in activities inconsistent and incompatible with his or her duties as a governing board member, officer, or staff person solely as a result of employment or affiliation with the county, private hospital, clinic, pharmacy, other provider group, employee organization, or citizen's group.

(q) (1) The health authority may use a computerized management information system in connection with the administration of its health delivery system, including the administration of the state-mandated two-plan Medi-Cal managed care model.

(2) Information maintained in the management information system that pertains to persons who are Medi-Cal applicants or recipients shall be confidential pursuant to Section 14100.2, and shall not be open to examination other than for purposes directly connected with the administration of the Medi-Cal program, including, but not limited to, those set forth in subdivision (c) of Section 14100.2. This safeguarded information includes, but is not limited to, names and addresses, medical services provided, social and economic conditions or circumstances, health authority evaluation of personal information, and medical data, including diagnosis and past history of disease or disability.

(3) Information maintained in the management information system that pertains to peer review-related activities shall be confidential and subject to the full protections of the law with respect to the confidentiality of activities related to peer review generally.

(r) The records of the health authority, whether paper records, records maintained in the management information system, or records in any other form, that relate to rates of payment, including records relating to rates of payment determination, allocation or distribution methodologies, formulas or calculations, and records of the health authority that relate to contract negotiations with providers of health care for alternative rates, shall not be subject to disclosure pursuant to the California Public Records Act (Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1 of the Government Code). The transmission of the records, or the information contained therein in an alternative form, to the board of supervisors shall not constitute a waiver of exemption

1 from disclosure, and the records and information once transmitted  
2 to the board of supervisors shall be subject to this same exemption.

3 (s) (1) (A) Notwithstanding the Ralph M. Brown Act  
4 (Chapter 9 (commencing with Section 54950) of Part 1 of Division  
5 2 of Title 5 of the Government Code), the governing board of the  
6 health authority may meet in closed session for the purpose of  
7 discussion of, or taking action on matters involving, health  
8 authority trade secrets.

9 (B) The requirement that the authority make a public report of  
10 actions taken in closed session and the vote or abstention of every  
11 member present may be limited to a brief general description of the  
12 action taken and the vote so as to prevent the disclosure of a trade  
13 secret.

14 (C) For purposes of this subdivision, “health authority trade  
15 secret” means a trade secret, as defined in subdivision (d) of  
16 Section 3426.1 of the Civil Code, that also meets both of the  
17 following criteria:

18 (i) The secrecy of the information is necessary for the health  
19 authority to initiate a new service, program, marketing strategy,  
20 business plan, or technology, or to add a benefit or product.

21 (ii) Premature disclosure of the trade secret would create a  
22 substantial probability of depriving the health authority of a  
23 substantial economic benefit or opportunity.

24 (2) Those records of the health authority that reveal the health  
25 authority’s trade secrets are exempt from disclosure pursuant to the  
26 California Public Records Act (Chapter 3.5 (commencing with  
27 Section 6250) of Division 7 of Title 1 of the Government Code),  
28 or any similar local law requiring the disclosure of public records.  
29 This exemption shall apply for a period of two years after the  
30 service, program, marketing strategy, business plan, technology,  
31 benefit, or product that is the subject of the trade secret is formally  
32 adopted by the governing body of the health authority, provided  
33 that the service, program, marketing strategy, business plan,  
34 technology, benefit, or product continues to be a trade secret. The  
35 governing board may delete the portion or portions containing  
36 trade secrets from any documents that were finally approved in the  
37 closed session held pursuant to paragraph (1) that are provided to  
38 persons who have made the timely or standing request.

1 (3) Nothing in this section shall be construed as preventing the  
2 governing board from meeting in closed session as otherwise  
3 provided by law.

4 (t) Open sessions of the health authority shall constitute official  
5 proceedings authorized by law within the meaning of Section 47  
6 of the Civil Code, and those privileges set forth in that section with  
7 respect to official proceedings shall apply to open sessions of the  
8 health authority.

9 (u) The health authority shall be considered a public agency for  
10 purposes of eligibility with respect to grants and other funding and  
11 loan guarantee programs. Contributions to the health authority  
12 shall be tax deductible to the extent permitted by state and federal  
13 law.

14 (v) Contracts by and between the health authority and the state,  
15 and contracts by and between the health authority and providers of  
16 health care, goods, or services may be let on a nonbid basis, and  
17 shall be exempt from Chapter 2 (commencing with Section 10290)  
18 of Part 2 of Division 2 of the Public Contract Code.

19 (w) (1) Provisions of the Evidence Code, the Government  
20 Code, including the California Public Records Act (Chapter 3.5  
21 (commencing with Section 6250) of Division 7 of Title 1 of the  
22 Government Code), the Civil Code, the Business and Professions  
23 Code, and other applicable law pertaining to the confidentiality of  
24 peer review activities of peer review bodies shall apply to the peer  
25 review activities of the health authority. Peer review proceedings  
26 shall constitute an official proceeding authorized by law within the  
27 meaning of Section 47 of the Civil Code, and those privileges set  
28 forth in that section with respect to official proceedings shall apply  
29 to peer review proceedings of the health authority. If the health  
30 authority is required by law or contractual obligation to submit to  
31 the state or federal government peer review information or  
32 information relevant to the credentialing of a participating  
33 provider, that submission shall not constitute a waiver of  
34 confidentiality. The laws pertaining to the confidentiality of peer  
35 review activities shall be together construed as extending, to the  
36 extent permitted by law, the maximum degree of protection of  
37 confidentiality.

38 (2) Notwithstanding any other provision of law, Section 1461  
39 of the Health and Safety Code shall apply to hearings on the reports



1 of hospital medical audit or quality assurance committees as they  
2 relate to network providers or applicants.

3 (x) The health authority shall carry general liability insurance  
4 to the extent sufficient to cover its activities.

5 (y) The establishment of a health authority under Article 2.8  
6 (commencing with Section 14087.5) shall be valid as if established  
7 pursuant to this section and this section shall apply to that health  
8 authority.

9 SEC. 4. Section 14087.36 of the Welfare and Institutions  
10 Code is amended to read:

11 14087.36. (a) The following definitions shall apply for  
12 purposes of this section:

13 (1) "County" means the City and County of San Francisco.

14 (2) "Board" means the Board of Supervisors of the City and  
15 County of San Francisco.

16 (3) "Department" means the State Department of Health  
17 Services.

18 (4) "Governing body" means the governing body of the health  
19 authority.

20 (5) "Health authority" means the separate public agency  
21 established by the board of supervisors to operate a health care  
22 system in the county and to engage in the other activities  
23 authorized by this section.

24 (b) The Legislature finds and declares that it is necessary that  
25 a health authority be established in the county to arrange for the  
26 provision of health care services in order to meet the problems of  
27 the delivery of publicly assisted medical care in the county, to enter  
28 into a contract with the department under Article 2.97  
29 (commencing with Section 14093), or to contract with a health  
30 care service plan on terms and conditions acceptable to the  
31 department, and to demonstrate ways of promoting quality care  
32 and cost efficiency.

33 (c) The county may, by resolution or ordinance, establish a  
34 health authority to act as and be the local initiative component of  
35 the Medi-Cal state plan pursuant to regulations adopted by the  
36 department. If the board elects to establish a health authority, all  
37 rights, powers, duties, privileges, and immunities vested in a  
38 county under Article 2.8 (commencing with Section 14087.5) and  
39 Article 2.97 (commencing with Section 14093) shall be vested in  
40 the health authority. The health authority shall have all power

necessary and appropriate to operate programs involving health care services, including, but not limited to, the power to acquire, possess, and dispose of real or personal property, to employ personnel and contract for services required to meet its obligations, to sue or be sued, and to take all actions and engage in all public and private business activities, subject to any applicable licensure, as permitted a health care service plan pursuant to Chapter 2.2 (commencing with Section 1340) of Division 2 of the Health and Safety Code.

(d) (1) (A) The health authority shall be considered a public entity separate and distinct from the county and shall file the statement required by Section 53051 of the Government Code. The health authority shall have primary responsibility to provide the defense and indemnification required under Division 3.6 (commencing with Section 810) of Title 1 of the Government Code for employees of the health authority who are employees of the county. The health authority shall provide insurance under terms and conditions required by the county in order to satisfy its obligations under this section.

(B) For purposes of this paragraph, “employee” shall have the same meaning as set forth in Section 810.2 of the Government Code.

(2) The health authority shall not be considered to be an agency, division, department, or instrumentality of the county and shall not be subject to the personnel, procurement, or other operational rules of the county.

(3) Notwithstanding any other provision of law, any obligations of the health authority, statutory, contractual, or otherwise, shall be the obligations solely of the health authority and shall not be the obligations of the county, unless expressly provided for in a contract between the authority and the county, nor of the state.

(4) Except as agreed to by contract with the county, no liability of the health authority shall become an obligation of the county upon either termination of the health authority or the liquidation or disposition of the health authority’s remaining assets.

(e) (1) To the full extent permitted by federal law, the department and the health authority may enter into contracts to provide or arrange for health care services for any or all persons who are eligible to receive benefits under the Medi-Cal program.

1 The contracts may be on an exclusive or nonexclusive basis, and  
2 shall include payment provisions on any basis negotiated between  
3 the department and the health authority. The health authority may  
4 also enter into contracts for the provision of health care services  
5 to individuals including, but not limited to, those covered under  
6 Subchapter XVIII (commencing with Section 1395) of Chapter 7  
7 of Title 42 of the United States Code, individuals employed by  
8 public agencies and private businesses, and uninsured or indigent  
9 individuals.

10 (2) Notwithstanding paragraph (1), or subdivision (f), the  
11 health authority may not operate health plans or programs for  
12 individuals covered under Subchapter XVIII (commencing with  
13 Section 1395) of Chapter 7 of Title 42 of the United States Code,  
14 or for private businesses, until the health authority is in full  
15 compliance with all of the requirements of the Knox-Keene Health  
16 Care Service Plan Act of 1975 under Chapter 2.2 (commencing  
17 with Section 1340) of Division 2 of the Health and Safety Code,  
18 including tangible net equity requirements applicable to a licensed  
19 health care service plan. This limitation shall not preclude the  
20 health authority from enrolling persons pursuant to the county's  
21 obligations under Section 17000, or from enrolling county  
22 employees.

23 (f) The board of supervisors may transfer responsibility for  
24 administration of county-provided health care services to the  
25 health authority for the purpose of service of populations including  
26 uninsured and indigent persons, subject to the provisions of any  
27 ordinances or resolutions passed by the county board of  
28 supervisors. The transfer of administrative responsibility for those  
29 health care services shall not relieve the county of its responsibility  
30 for indigent care pursuant to Section 17000. The health authority  
31 may also enter into contracts for the provision of health care  
32 services to individuals including, but not limited to, those covered  
33 under Subchapter XVIII (commencing with Section 1395) of  
34 Chapter 7 of Title 42 of the United States Code, and individuals  
35 employed by public agencies and private businesses.

36 (g) Upon creation, the health authority may borrow from the  
37 county and the county may lend the authority funds, or issue  
38 revenue anticipation notes to obtain those funds necessary to  
39 commence operations or perform the activities of the health  
40 authority. Notwithstanding any other provision of law, both the





1 county and the health authority shall be eligible to receive funding  
2 under subdivision (p) of Section 14163.

3 (h) The county may terminate the health authority, but only by  
4 an ordinance approved by a two-thirds affirmative vote of the full  
5 board.

6 (i) Prior to the termination of the health authority, the county  
7 shall notify the department of its intent to terminate the health  
8 authority. The department shall conduct an audit of the health  
9 authority's records within 30 days of notification to determine the  
10 liabilities and assets of the health authority. The department shall  
11 report its findings to the county and to the Department of Managed  
12 Health Care within 10 days of completion of the audit. The county  
13 shall prepare a plan to liquidate or otherwise dispose of the assets  
14 of the health authority and to pay the liabilities of the health  
15 authority to the extent of the health authority's assets, and present  
16 the plan to the department and the Department of Managed Health  
17 Care within 30 days upon receipt of these findings.

18 (j) Any assets of the health authority derived from the contract  
19 entered into between the state and the authority pursuant to Article  
20 2.97 (commencing with Section 14093), after payment of the  
21 liabilities of the health authority, shall be disposed of pursuant to  
22 the contract.

23 (k) (1) The governing body shall consist of 18 voting  
24 members, 14 of whom shall be appointed by resolution or  
25 ordinance of the board as follows:

26 (A) One member shall be a member of the board or any other  
27 person designated by the board.

28 (B) One member shall be a person who is employed in the  
29 senior management of a hospital not operated by the county or the  
30 University of California and who is nominated by the San  
31 Francisco Section of the Westbay Hospital Conference or any  
32 successor organization, or if there is no successor organization, a  
33 person who shall be nominated by the Hospital Council of  
34 Northern and Central California.

35 (C) Two members, one of whom shall be a person employed in  
36 the senior management of San Francisco General Hospital and one  
37 of whom shall be a person employed in the senior management of  
38 St. Luke's Hospital (San Francisco). If San Francisco General  
39 Hospital or St. Luke's Hospital, at the end of the term of the person  
40 appointed from its senior management, is not designated as a

1 disproportionate share hospital, and if the governing body, after  
2 providing an opportunity for comment by the Westbay Hospital  
3 Conference, or any successor organization, determines that the  
4 hospital no longer serves an equivalent patient population, the  
5 governing body may, by a two-thirds vote of the full governing  
6 body, select an alternative hospital to nominate a person employed  
7 in its senior management to serve on the governing body.  
8 Alternatively, the governing body may approve a reduction in the  
9 number of positions on the governing body as set forth in  
10 subdivision (p).

11 (D) Two members shall be employees in the senior  
12 management of either private nonprofit community clinics or a  
13 community clinic consortium, nominated by the San Francisco  
14 Community Clinic Consortium, or any successor organization.

15 (E) Two members shall be physicians, nominated by the San  
16 Francisco Medical Society, or any successor organization.

17 (F) One member shall be nominated by the San Francisco  
18 Labor Council, or any successor organization.

19 (G) Two members shall be persons nominated by the  
20 beneficiary committee of the health authority, at least one of whom  
21 shall, at the time of appointment and during the person's term, be  
22 a Medi-Cal beneficiary.

23 (H) Two members shall be persons knowledgeable in matters  
24 relating to either traditional safety net providers, health care  
25 organizations, the Medi-Cal program, or the activities of the health  
26 authority, nominated by the program committee of the health  
27 authority.

28 (I) One member shall be a person nominated by the San  
29 Francisco Pharmacy Leadership Group, or any successor  
30 organization.

31 (2) One member, selected to fulfill the appointments specified  
32 in subparagraph (A), (G), or (H) shall, in addition to representing  
33 his or her specified organization or employer, represent the  
34 discipline of nursing, and shall possess or be qualified to possess  
35 a registered nursing license.

36 (3) The initial members appointed by the board under the  
37 subdivision shall be, to the extent those individuals meet the  
38 qualifications set forth in this subdivision and are willing to serve,  
39 those persons who are members of the steering committee created  
40 by the county to develop the local initiative component of the



1 Medi-Cal state plan in San Francisco. Following the initial  
2 staggering of terms, each of those members shall be appointed to  
3 a term of three years, except the member appointed pursuant to  
4 subparagraph (A) of paragraph (1), who shall serve at the pleasure  
5 of the board. At the first meeting of the governing body, the  
6 members appointed pursuant to this subdivision shall draw lots to  
7 determine seven members whose initial terms shall be for two  
8 years. Each member shall remain in office at the conclusion of that  
9 member's term until a successor member has been nominated and  
10 appointed.

11 (l) In addition to the requirements of subdivision (k), one  
12 member of the governing body shall be appointed by the Mayor of  
13 the City of San Francisco to serve at the pleasure of the mayor, one  
14 member shall be the county's director of public health or designee,  
15 who shall serve at the pleasure of that director, one member shall  
16 be the Chancellor of the University of California at San Francisco  
17 or his or her designee, who shall serve at the pleasure of the  
18 chancellor, and one member shall be the county director of mental  
19 health or his or her designee, who shall serve at the pleasure of that  
20 director.

21 (m) There shall be one nonvoting member of the governing  
22 body who shall be appointed by, and serve at the pleasure of, the  
23 health commission of the county.

24 (n) Each person appointed to the governing body shall,  
25 throughout the member's term, either be a resident of the county  
26 or be employed within the geographic boundaries of the county.

27 (o) (1) The composition of the governing body and  
28 nomination process for appointment of its members shall be  
29 subject to alteration upon a two-thirds vote of the full membership  
30 of the governing body. This action shall be concurred in by a  
31 resolution or ordinance of the county.

32 (2) Notwithstanding paragraph (1), no alteration described in  
33 that paragraph shall cause the removal of a member prior to the  
34 expiration of that member's term.

35 (p) A majority of the members of the governing body shall  
36 constitute a quorum for the transaction of business, and all official  
37 acts of the governing body shall require the affirmative vote of a  
38 majority of the members present and voting. However, no official  
39 shall be approved with less than the affirmative vote of six  
40 members of the governing body, unless the number of members

1 prohibited from voting because of conflicts of interest precludes  
2 adequate participation in the vote. The governing body may, by a  
3 two-thirds vote adopt, amend, or repeal rules and procedures for  
4 the governing body. Those rules and procedures may require that  
5 certain decisions be made by a vote that is greater than a majority  
6 vote.

7 (q) For purposes of Section 87103 of the Government Code,  
8 members appointed pursuant to subparagraphs (B) to (E),  
9 inclusive, of paragraph (1) of subdivision (k) represent, and are  
10 appointed to represent, respectively, the hospitals, private  
11 nonprofit community clinics, and physicians that contract with the  
12 health authority, or the health care service plan with which the  
13 health authority contracts, to provide health care services to the  
14 enrollees of the health authority or the health care service plan.  
15 Members appointed pursuant to subparagraphs (F) and (G) of  
16 paragraph (1) of subdivision (k) represent, and are appointed to  
17 represent, respectively, the health care workers and enrollees  
18 served by the health authority or its contracted health care service  
19 plan, and traditional safety net and ancillary providers and other  
20 organizations concerned with the activities of the health authority.

21 (r) A member of the governing body may be removed from  
22 office by the board by resolution or ordinance, only upon the  
23 recommendation of the health authority, and for any of the  
24 following reasons:

25 (1) Failure to retain the qualifications for appointment  
26 specified in subdivisions (k) and (n).

27 (2) Death or a disability that substantially interferes with the  
28 member's ability to carry out the duties of office.

29 (3) Conviction of any felony or a crime involving corruption.

30 (4) Failure of the member to discharge legal obligations as a  
31 member of a public agency.

32 (5) Substantial failure to perform the duties of office,  
33 including, but not limited to, unreasonable absence from meetings.  
34 The failure to attend three meetings in a row of the governing body,  
35 or a majority of the meetings in the most recent calendar year, may  
36 be deemed to be unreasonable absence.

37 (s) Any vacancy on the governing body, however created, shall  
38 be filled for the unexpired term by the board by resolution or  
39 ordinance. Each vacancy shall be filled by an individual having the

1 qualifications of his or her predecessor, nominated as set forth in  
2 subdivision (k).

3 (t) The chair of the authority shall be selected by, and serve at  
4 the pleasure of, the governing body.

5 (u) The health authority shall establish all of the following:

6 (1) A beneficiary committee to advise the health authority on  
7 issues of concern to the recipients of services.

8 (2) A program committee to advise the health authority on  
9 matters relating to traditional safety net providers, ancillary  
10 providers, and other organizations concerned with the activities of  
11 the health authority.

12 (3) Any other committees determined to be advisable by the  
13 health authority.

14 (v) (1) Notwithstanding any provision of state or local law,  
15 including, but not limited to, the county charter, a member of the  
16 health authority shall not be deemed to be interested in a contract  
17 entered into by the authority within the meaning of Article 4  
18 (commencing with Section 1090) of Chapter 1 of Division 4 of  
19 Title 1 of the Government Code, or within the meaning of  
20 conflict-of-interest restrictions in the county charter, if all of the  
21 following apply:

22 (A) The member does not influence or attempt to influence the  
23 health authority or another member of the health authority to enter  
24 into the contract in which the member is interested.

25 (B) The member discloses the interest to the health authority  
26 and abstains from voting on the contract.

27 (C) The health authority notes the member's disclosure and  
28 abstention in its official records and authorizes the contract in good  
29 faith by a vote of its membership sufficient for the purpose without  
30 counting the vote of the interested member.

31 (D) The member has an interest in or was appointed to  
32 represent the interests of physicians, health care practitioners,  
33 hospitals, pharmacies, or other health care organizations.

34 (E) The contract authorizes the member or the organization the  
35 member has an interest in or represents to provide services to  
36 beneficiaries under the authority's program or administrative  
37 services to the authority.

38 (2) In addition, no person serving as a member of the governing  
39 body shall, by virtue of that membership, be deemed to be engaged  
40 in activities that are inconsistent, incompatible, or in conflict with

1 their duties as an officer or employee of the county or the  
2 University of California, or as an officer or an employee of any  
3 private hospital, clinic, or other health care organization. The  
4 membership shall not be deemed to be in violation of Section 1126  
5 of the Government Code.

6 (w) Notwithstanding any other provision of law, those records  
7 of the health authority and of the county that reveal the authority's  
8 rates of payment for health care services or the health authority's  
9 deliberative processes, discussions, communications, or any other  
10 portion of the negotiations with providers of health care services  
11 for rates of payment, or the health authority's peer review  
12 proceedings shall not be required to be disclosed pursuant to the  
13 California Public Records Act (Chapter 3.5 (commencing with  
14 Section 6250) of Division 7 of Title 1 of the Government Code),  
15 or any similar local law requiring the disclosure of public records.  
16 However, three years after a contract or amendment to a contract  
17 is fully executed, the portion of the contract or amendment  
18 containing the rates of payment shall be open to inspection.

19 (x) Notwithstanding any other provision of law, the health  
20 authority may meet in closed session to consider and take action  
21 on peer review proceedings and on matters pertaining to contracts  
22 and contract negotiations by the health authority's staff with  
23 providers of health care services concerning all matters relating to  
24 rates of payment. However, a decision as to whether to enter into,  
25 amend the services provisions of, or terminate, other than for  
26 reasons based upon peer review, a contract with a provider of  
27 health care services, shall be made in open session.

28 (y) (1) (A) Notwithstanding the Ralph M. Brown Act  
29 (Chapter 9 (commencing with Section 54950) of Part 1 of Division  
30 2 of Title 5 of the Government Code), the governing board of the  
31 health authority may meet in closed session for the purpose of  
32 discussion of, or taking action on matters involving, health  
33 authority trade secrets.

34 (B) The requirement that the authority make a public report of  
35 actions taken in closed session and the vote or abstention of every  
36 member present may be limited to a brief general description of the  
37 action taken and the vote so as to prevent the disclosure of a trade  
38 secret.

39 (C) For purposes of this subdivision, "health authority trade  
40 secret" means a trade secret, as defined in subdivision (d) of

1 Section 3426.1 of the Civil Code, that also meets both of the  
2 following criteria:

3 (i) The secrecy of the information is necessary for the health  
4 authority to initiate a new service, program, marketing strategy,  
5 business plan, or technology, or to add a benefit or product.

6 (ii) Premature disclosure of the trade secret would create a  
7 substantial probability of depriving the health authority of a  
8 substantial economic benefit or opportunity.

9 (2) Those records of the health authority that reveal the health  
10 authority's trade secrets are exempt from disclosure pursuant to the  
11 California Public Records Act (Chapter 3.5 (commencing with  
12 Section 6250) of Division 7 of Title 1 of the Government Code),  
13 or any similar local law requiring the disclosure of public records.  
14 This exemption shall apply for a period of two years after the  
15 service, program, marketing strategy, business plan, technology,  
16 benefit, or product that is the subject of the trade secret is formally  
17 adopted by the governing body of the health authority, provided  
18 that the service, program, marketing strategy, business plan,  
19 technology, benefit, or product continues to be a trade secret. The  
20 governing board may delete the portion or portions containing  
21 trade secrets from any documents that were finally approved in the  
22 closed session held pursuant to this subdivision that are provided  
23 to persons who have made the timely or standing request.

24 (z) The health authority shall be deemed to be a public agency  
25 for purposes of all grant programs and other funding and loan  
26 guarantee programs.

27 (aa) Contracts under this article between the State Department  
28 of Health Services and the health authority shall be on a nonbid  
29 basis and shall be exempt from Chapter 2 (commencing with  
30 Section 10290) of Part 2 of Division 2 of the Public Contract Code.

31 (bb) (1) The county controller or his or her designee, at  
32 intervals the county controller deems appropriate, shall conduct a  
33 review of the fiscal condition of the health authority, shall report  
34 the findings to the health authority and the board, and shall provide  
35 a copy of the findings to any public agency upon request.

36 (2) Upon the written request of the county controller, the health  
37 authority shall provide full access to the county controller all  
38 health authority records and documents as necessary to allow the  
39 county controller or designee to perform the activities authorized  
40 by this subdivision.



1 (cc) A Medi-Cal recipient receiving services through the health  
2 authority shall be deemed to be a subscriber or enrollee for  
3 purposes of Section 1379 of the Health and Safety Code.

4 SEC. 5. Section 14087.38 of the Welfare and Institutions  
5 Code is amended to read:

6 14087.38. (a) (1) In counties selected by the director with  
7 the concurrence of the county, a special county health authority  
8 may be established in order to meet the problems of delivery of  
9 publicly assisted medical care in each county, and to demonstrate  
10 ways of promoting quality care and cost efficiency. Nothing in this  
11 section shall be construed to preclude the department from  
12 expanding Medi-Cal managed care in ways other than those  
13 provided for in this section, including, but not limited to, the  
14 establishment of a public benefit corporation as set forth in Section  
15 5110 of the Corporations Code.

16 (2) For purposes of this section, “health authority” means an  
17 entity separate from the county that meets the requirements of state  
18 and federal law and the quality, cost, and access criteria established  
19 by the department.

20 (b) The board of supervisors of a county described in  
21 subdivision (a) may, by ordinance, establish a health authority to  
22 negotiate and enter into contracts authorized by Section 14087.3,  
23 and to arrange for the provision of health care services provided  
24 pursuant to this chapter. If the board of supervisors elects to enact  
25 this ordinance, all rights, powers, duties, privileges, and  
26 immunities vested in a county contracting with the department  
27 under this article shall be vested in the health authority. The health  
28 authority may also enter into contracts for the provision of health  
29 care services to individuals including, but not limited to, those  
30 covered under Subchapter XVIII (commencing with Section  
31 1395) of Chapter 7 of Title 42 of the United States Code, those  
32 entitled to coverage under other publicly supported programs,  
33 those employed by public agencies or private businesses, and  
34 uninsured or indigent individuals.

35 (c) The enabling ordinance shall specify the membership of the  
36 governing board of the health authority, the qualifications for  
37 individual members, the manner of appointment, selection, or  
38 removal of board members, and how long they shall serve, and any  
39 other matters the board of supervisors deems necessary or  
40 convenient for the conduct of the health authority’s activities.

Members of the governing board shall be appointed by the board of supervisors to represent the interests of the county, the general public, beneficiaries, physicians, hospitals, clinics, and other nonphysician health care providers. The health authority so established shall be considered an entity separate from the county, shall file a statement required by Section 53051 of the Government Code, and shall have the power to acquire, possess, and dispose of real or personal property, as necessary for the performance of its functions, to employ personnel and contract for services required to meet its obligations, and to sue or be sued. Any obligations of a health authority, statutory, contractual, or otherwise, shall be obligations solely of the health authority and shall not be the obligations of the county or of the state.

(d) Upon creation, the health authority may borrow from the county, and the county may lend the health authority funds or issue revenue anticipation notes to obtain those funds necessary to commence operations.

(e) Notwithstanding any other provision of law, both the county and the health authority shall be eligible to receive funding under subdivision (p) of Section 14163, and the health authority shall be considered to have satisfied the requirements of that subdivision.

(f) The health authority shall be deemed to be a public agency that is a unit of local government for purposes of all grant programs and other funding and loan guarantee programs.

(g) It is the intent of the Legislature that if a health authority is formed pursuant to this section, the county shall, with respect to its medical facilities and programs, occupy no greater or lesser status than any other health care provider in negotiating with the health authority for contracts to provide health care services. Nothing in this subdivision shall be construed to interfere with or limit the health authority in giving preference in negotiating to disproportionate share hospitals or other providers of health care to medically indigent or uninsured individuals.

(h) Notwithstanding any other provision of law, a member of the governing board of the health authority shall not be deemed to be interested in a contract entered into by the health authority within the meaning of Article 4 (commencing with Section 1090) of Chapter 1 of Division 4 of Title 1 of the Government Code if all the following apply:

1 (1) The member was appointed to represent the interests of  
2 physicians, health care practitioners, hospitals, pharmacies, or  
3 other health care organizations, or beneficiaries.

4 (2) The contract authorizes the member or the organization the  
5 member represents to provide services to beneficiaries under the  
6 health authority's programs.

7 (3) The contract contains substantially the same terms and  
8 conditions as contracts entered into with other individuals or  
9 organizations that the member was appointed to represent.

10 (4) The member does not influence or attempt to influence the  
11 health authority or another member of the health authority to enter  
12 into the contract in which the member is interested.

13 (5) The member discloses the interest to the health authority  
14 and abstains from voting on the contract.

15 (6) The governing board notes the member's disclosure and  
16 abstention in its official records and authorizes the contract in good  
17 faith by a vote of its membership sufficient for the purpose without  
18 counting the vote of the interested member.

19 (i) All claims for money or damages against the health  
20 authority shall be governed by Part 3 (commencing with Section  
21 900) and Part 4 (commencing with Section 940) of Division 3.6  
22 of Title 1 of the Government Code, except as provided by other  
23 statutes or regulations that expressly apply to the health authority.

24 (j) The health authority, members of its governing board, and  
25 its employees, are protected by the immunities applicable to public  
26 entities and public employees governed by Part 1 (commencing  
27 with Section 810) and Part 2 (commencing with Section 814) of  
28 Division 3.6 of Title 1 of the Government Code, except as  
29 provided by other statutes or regulations that apply expressly to the  
30 health authority.

31 (k) Notwithstanding any other provision of law, except as  
32 otherwise provided in this section, a county shall not be liable for  
33 any act or omission of the health authority.

34 (l) The transfer of responsibility for health care services to the  
35 health authority shall not relieve the county of its responsibility for  
36 indigent care pursuant to Section 17000.

37 (m) Notwithstanding any other provision of law, the governing  
38 board of the health authority may meet in closed session to  
39 consider and take action on matters pertaining to contracts, and to  
40 contract negotiations by health authority staff with providers of

1 health care services concerning all matters related to rates of  
2 payment.

3 (n) (1) (A) Notwithstanding the Ralph M. Brown Act  
4 (Chapter 9 (commencing with Section 54950) of Part 1 of Division  
5 2 of Title 5 of the Government Code), the governing board of the  
6 health authority may meet in closed session for the purpose of  
7 discussion of, or taking action on matters involving, health  
8 authority trade secrets.

9 (B) The requirement that the authority make a public report of  
10 actions taken in closed session and the vote or abstention of every  
11 member present may be limited to a brief general description of the  
12 action taken and the vote so as to prevent the disclosure of a trade  
13 secret.

14 (C) For purposes of this subdivision, “health authority trade  
15 secret” means a trade secret, as defined in subdivision (d) of  
16 Section 3426.1 of the Civil Code, that also meets both of the  
17 following criteria:

18 (i) The secrecy of the information is necessary for the health  
19 authority to initiate a new service, program, marketing strategy,  
20 business plan, or technology, or to add a benefit or product.

21 (ii) Premature disclosure of the trade secret would create a  
22 substantial probability of depriving the health authority of a  
23 substantial economic benefit or opportunity.

24 (2) Those records of the health authority that reveal the health  
25 authority’s trade secrets are exempt from disclosure pursuant to the  
26 California Public Records Act (Chapter 3.5 (commencing with  
27 Section 6250) of Division 7 of Title 1 of the Government Code),  
28 or any similar local law requiring the disclosure of public records.  
29 This exemption shall apply for a period of two years after the  
30 service, program, marketing strategy, business plan, technology,  
31 benefit, or product that is the subject of the trade secret is formally  
32 adopted by the governing body of the health authority, provided  
33 that the service, program, marketing strategy, business plan,  
34 technology, benefit, or product continues to be a trade secret. The  
35 governing board may delete the portion or portions containing  
36 trade secrets from any documents that were finally approved in  
37 closed session held pursuant to this subdivision that are provided  
38 to persons who have made the timely or standing request.

39 (o) Notwithstanding Article 9 (commencing with Section  
40 11120) of Chapter 1 of Part 1 of Division 3 of Title 2 of, and

Chapter 9 (commencing with Section 54950) of Part 1 of Division 2 of Title 5 of, the Government Code, or any other provision of law, any peer review body, as defined in paragraph (1) of subdivision (a) of Section 805 of the Business and Professions Code, formed pursuant to the powers granted to the health authority authorized by this section, may, at its discretion and without notice to the public, meet in closed session, so long as the purpose of the meeting is the peer review body's discharge of its responsibility to evaluate and improve the quality of care rendered by health facilities and health practitioners, pursuant to the powers granted to the health authority. The peer review body and its members shall receive, to the fullest extent, all immunities, privileges, and protections available to those peer review bodies, their individual members, and persons or entities assisting in the peer review process, including those afforded by Section 1157 of the Evidence Code and Section 1370 of the Health and Safety Code.

(p) Notwithstanding any other provision of law, those records of the health authority and of the county that reveal the health authority's rates of payment for health care services or the health authority's deliberative processes, discussions, communications, or any other portion of the negotiations with providers of health care services for rates of payment, shall not be required to be disclosed pursuant to the California Public Records Act (Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1 of the Government Code), or any similar local law requiring the disclosure of public records. However, three years after a contract or amendment to a contract is fully executed, the portion of the contract or amendment containing the rates of payment shall be open to inspection.

(q) Notwithstanding the California Public Records Act (Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1 of the Government Code), or Article 9 (commencing with Section 11120) of Chapter 1 of Part 1 of Division 3 of Title 2 of, and Chapter 9 (commencing with Section 54950) of Part 1 of Division 2 of Title 5 of, the Government Code, or any other provision of state or local law requiring disclosure of public records, those records of a peer review body, as defined in paragraph (1) of subdivision (a) of Section 805 of the Business and Professions Code, formed pursuant to the powers granted to the health authority authorized by this section, shall not be required to



be disclosed. The records and proceedings of the peer review body and its individual members shall receive, to the fullest extent, all immunities, privileges, and protections available to those records and proceedings, including those afforded by Section 1157 of the Evidence Code and Section 1370 of the Health and Safety Code.

(r) Except as expressly provided by other provisions of this section, all exemptions and exclusions from disclosure as public records pursuant to the California Public Records Act, including, but not limited to, those pertaining to trade secrets and information withheld in the public interest, shall be fully applicable for all state agencies and local agencies with respect to all writings that the health authority is required to prepare, produce, or submit pursuant to this section.

(s) (1) Any health authority formed pursuant to this section shall obtain licensure as a health care service plan under the Knox-Keene Health Care Service Plan Act of 1975 (Chapter 2.2 (commencing with Section 1340) of Division 3 of the Health and Safety Code).

(2) Notwithstanding subdivisions (b) and (t), a health authority may not operate health plans or programs for individuals covered under Subchapter XVIII (commencing with Section 1395) of Chapter 7 of Title 42 of the United States Code, or for private businesses, until the health authority is in full compliance with all of the requirements of the Knox-Keene Health Care Service Plan Act of 1975, including tangible net equity requirements applicable to a licensed health care service plan.

(t) Commencing on the date that the health authority first receives Medi-Cal capitated payments for the provision of health care services to Medi-Cal beneficiaries and until the time that the health authority is in compliance with all the requirements regarding tangible net equity applicable to a health care service plan licensed under the Knox-Keene Health Care Service Plan Act of 1975, the following provisions shall apply:

(1) The health authority may select and design its automated management information system, but the department, in cooperation with the health authority, prior to making capitated payments, shall test the system to ensure that the system is capable of producing detailed, accurate, and timely financial information on the financial condition of the health authority and any other



1 information generally required by the department in its contracts  
2 with health care service plans.

3 (2) In addition to the reports required by the Department of  
4 Managed Health Care under the Knox-Keene Health Care Service  
5 Plan Act of 1975, and the rules of the Director of the Department  
6 of Managed Health Care promulgated thereunder, the health  
7 authority shall provide on a monthly basis to the department, the  
8 Department of Managed Health Care, and the members of the  
9 health authority, a copy of the automated report described in  
10 paragraph (1) and a projection of assets and liabilities, including  
11 those that have been incurred but not reported, with an explanation  
12 of material increases or decreases in current or projected assets or  
13 liabilities. The explanation of increases and decreases in assets or  
14 liabilities shall be provided, upon request, to a hospital,  
15 independent physicians' practice association, or community  
16 clinic, that has contracted with the health authority to provide  
17 health care services.

18 (3) In addition to the reporting and notification obligations the  
19 health authority has under the Knox-Keene Health Care Service  
20 Plan Act of 1975, the chief executive officer or director of the  
21 health authority shall immediately notify the department, the  
22 Department of Managed Health Care, and the members of the  
23 governing board of the health authority in writing of any fact or  
24 facts that, in the chief executive officer's or director's reasonable  
25 and prudent judgment, is likely to result in the health authority  
26 being unable to meet its financial obligations to health care  
27 providers or to other parties. Written notice shall describe the fact  
28 or facts, the anticipated fiscal consequences, and the actions that  
29 will be taken to address the anticipated consequences.

30 (4) The Department of Managed Health Care shall not waive  
31 or vary, nor shall the department request the Department of  
32 Managed Health Care to waive or vary, the tangible net equity  
33 requirements for a health authority under the Knox-Keene Health  
34 Care Service Plan Act of 1975 after three years from the date of  
35 commencement of capitated payments to the health authority.  
36 Until the time the health authority is in compliance with all of the  
37 tangible net equity requirements under the Knox-Keene Health  
38 Care Service Plan Act of 1975, and the rules of the Director of the  
39 Department of Managed Health Care promulgated thereunder, the  
40 health authority shall develop a stop-loss program appropriate to



1 the risks of the health authority. The program shall be satisfactory  
2 to both the department and the Department of Managed Health  
3 Care.

4 (5) In the event that the health authority votes to file a petition  
5 of bankruptcy, or the board of supervisors notifies the department  
6 of its intent to terminate the health authority, the department shall  
7 immediately convert the authority's Medi-Cal beneficiaries to  
8 either of the following:

9 (A) To other managed care contractors when available,  
10 provided those contractors are able to demonstrate that they can  
11 absorb the increased enrollment without detriment to the provision  
12 of health care services to their existing enrollees.

13 (B) To the extent that other managed care contractors are  
14 unavailable or the department determines that the action is  
15 otherwise in the best interest of any particular beneficiary, to a  
16 fee-for-service reimbursement system pending the availability of  
17 managed care contractors, provided those contractors are able to  
18 demonstrate that they can absorb the increased enrollment without  
19 detriment to the provision of health care services to their existing  
20 enrollees, or if the department determines that providing care to  
21 any particular beneficiary pursuant to a fee-for-service  
22 reimbursement system is no longer necessary to protect the  
23 continuity of care or other interests of the beneficiary. Beneficiary  
24 eligibility for Medi-Cal shall not be affected by this action.  
25 Beneficiaries who have been or who are scheduled to be converted  
26 to a fee-for-service reimbursement system or managed care  
27 contractor may make a choice to be enrolled in another managed  
28 care system, if one is available, in full compliance with the federal  
29 freedom-of-choice requirements.

30 (6) The health authority shall submit to a review of financial  
31 records when the department determines, based on data reported  
32 by the health authority or otherwise, that the health authority will  
33 not be able to meet its financial obligations to health care providers  
34 contracting with the health authority. Where the review of  
35 financial records determines that the health authority will not be  
36 able to meet its financial obligations to contracting health care  
37 providers for the provision of health care services, the director  
38 shall immediately terminate the contract between the health  
39 authority and the state, and immediately convert the health  
40 authority Medi-Cal beneficiaries in accordance with paragraph (5)

1 in order to ensure uninterrupted provision of health care services  
2 to the beneficiaries and to minimize financial disruption to  
3 providers. The action of the director shall be the final  
4 administrative determination. Beneficiary eligibility for Medi-Cal  
5 shall not be affected by this action. Beneficiaries who have been  
6 or who are scheduled to be converted under paragraph (5) may  
7 make a choice to be enrolled in another managed care plan, if one  
8 is available, in full compliance with federal freedom-of-choice  
9 requirements.

10 (7) It is the intent of the Legislature that the department shall  
11 implement Medi-Cal capitated enrollments in a manner that  
12 ensures that appropriate levels of health care services will be  
13 provided to Medi-Cal beneficiaries and that appropriate levels of  
14 administrative services will be furnished to health care providers.  
15 The contract between the department and the health authority shall  
16 authorize and permit the department to administer the number of  
17 covered Medi-Cal enrollments in such a manner that the health  
18 authority's provider network and administrative structure are able  
19 to provide appropriate and timely services to beneficiaries and to  
20 participating providers.

21 (8) In the event a health authority is terminated, files for  
22 bankruptcy, or otherwise no longer functions for the purpose for  
23 which it was established, the county shall, with respect to  
24 compensation for provision of health care services to  
25 beneficiaries, occupy no greater or lesser status than any other  
26 health care provider in the disbursement of assets of the health  
27 authority.

28 (9) Nothing in this subdivision shall be construed to impair or  
29 diminish the authority of the Director of the Department of  
30 Managed Health Care under the Knox-Keene Health Care Service  
31 Plan Act of 1975, nor shall anything in this section be construed  
32 to reduce or otherwise limit the obligation of a health authority  
33 licensed as a health care service plan to comply with the  
34 requirements of the Knox-Keene Health Care Service Plan Act of  
35 1975, and the rules of the Director of the Department of Managed  
36 Health Care promulgated thereunder.

37 (u) In the event a health authority may no longer function for  
38 the purposes for which it is established, at the time the health  
39 authority's then-existing obligations have been satisfied or the



1 health authority's assets have been exhausted, the board of  
2 supervisors may, by ordinance, terminate the health authority.

3 (v) (1) Prior to the termination of the health authority, the  
4 board of supervisors shall notify the department of its intent to  
5 terminate the health authority. The department shall conduct an  
6 audit of the health authority's records within 30 days of the  
7 notification to determine the liabilities and assets of the health  
8 authority.

9 (2) The department shall report its findings to the board within  
10 10 days of completion of the audit. The board shall prepare a plan  
11 to liquidate or otherwise dispose of the assets of the health  
12 authority and to pay the liabilities of the health authority to the  
13 extent of the health authority's assets, and present the plan to the  
14 department within 30 days upon receipt of these findings.

15 (w) Any assets of the health authority shall be disposed of  
16 pursuant to provisions contained in the contract entered into  
17 between the state and the health authority pursuant to this section.

18 (x) Upon termination of a health authority by the board, the  
19 county shall manage any remaining assets of the health authority  
20 until superseded by a department-approved plan. Any liabilities of  
21 the health authority shall not become obligations of the county  
22 upon either the termination of the health authority or the  
23 liquidation or disposition of the health authority's remaining  
24 assets.

25 (y) This section shall apply to all special county health  
26 authorities and commissions and to health care service plans  
27 licensed pursuant to the Knox-Keene Health Care Service Plan Act  
28 of 1975, that are governed by county boards of supervisors, except  
29 to the extent that this section conflicts with Sections 14087.31,  
30 14087.35, and 14087.36.

31 SEC. 6. Section 7 of Chapter 642 of the Statutes of 1994 is  
32 repealed.

